
CITY OF DURHAM

CAPITAL IMPROVEMENT PROGRAM PROCESS

The Capital Improvement Program (CIP) is a statement of the City of Durham's policy regarding long-range physical development. It is vital to the City because it is the principal planning tool designed to achieve urban growth and development. This plan is developed for a six-year period and is updated and revised annually. To be included in the CIP, the project requires a total expenditure of \$100,000.

By providing a planned schedule, cost estimates, and location of public sector improvements, the Capital Improvement Program provides private sector decision makers with valuable information on which to base investment decisions. It also provides local elected officials and the public with valuable information concerning proposed public facilities and their associated costs. Ultimately, this coordination of orderly and efficient programs of private and public investment will benefit the City. **The information contained in this section is an overview of the proposed CIP as originally proposed to the City Council. Please refer to the General Capital Improvement Projects Ordinance and the Water and Wastewater Capital Improvement Projects Ordinance for the list of FY 2004 adopted projects.**

CIP Preparation:

As the result of a challenging budget year in FY2003, Governor Mike Easley declared a state of fiscal emergency and froze payment for various municipal revenue totaling almost \$4.8 million of City of Durham funds to help balance the state's budget. In an effort to balance the City's budget in FY2003, it was decided to decrease several CIP funding sources such as Pay as You Go Capital and Investment Income. Unfortunately this budget year has also been very difficult and the funding sources for the CIP have again been very limited. In order to demonstrate which high priority projects would move forward with additional funding, we have assumed a one-cent increase in the property tax rate. Without the increase, the number of projects funded will be much smaller.

Due to the limited funding for CIP projects for the past few years there were a very large number of projects submitted for the FY 2004 CIP. The CIP process begins with Department heads submitting proposals for CIP projects that fall within the scope of their operations. This year the Budget Staff implemented a new process to review and rank projects for inclusion in the CIP. A team was assembled from across the organization to individually and collectively rank projects using an objective scoring method and assessment tool. This process helped identify the large number of projects needed with particular emphasis on maintenance and repair. The City/County Planning Department also reviews projects for coordination with adopted City Plans. The recommendations of the CIP committee are then revised by the Budget Department and City Manager and are presented as the Preliminary Capital Improvement Program. The Preliminary CIP is reviewed by the City Council before being adopted in final form by the City Council. At least one public hearing is conducted prior to approval.

Goals of the CIP:

The CIP is prepared with the guidance of two major goals:

1. ***To address the City's immediate and long-term capital needs***, especially those related to:
 - a. Maintaining the existing infrastructure in order to protect the City's investment.
 - b. Expanding the tax base in a way that will benefit both new and existing citizens.
 - c. Managing and encouraging orderly growth in compliance with the Comprehensive Plan.
 - d. Providing City services in the most efficient and safe manner.
 - e. Maintaining and improving the quality of life in a way that enhances the perception of the community by citizens and potential investors.

2. *To explore all feasible funding sources (as time and resources permit) in order to finance the City's capital needs.*

The CIP is also prepared with the guidance of the seven Council goals that have been adopted by the City Council:

- To improve the quality of life by reducing the incidence of crime.
- To improve the quality of life by addressing the root causes of crime.
- To improve the quality of life by ensuring the availability of, and access to, adequate, safe, and affordable housing for every resident.
- To provide economic development activities that will reduce poverty by increasing citizen access to high quality jobs while increasing the City's tax base.
- To improve the livability of the City by managing the City's growth, protecting and preserving the environment, and maximizing the efficient use of public infrastructure.
- To improve the City's image by preserving and enhancing the community's aesthetic beauty and natural assets and by building upon the rich and diverse cultural heritage of the community.
- To maximize the efficient and effective management of and accountability for the City's financial resources.

Funding Priorities:

Projects with the following characteristics are given priority for funding:

- Mandated by law or formal council policy.
- Currently funded or for which specific funding sources are available.
- That are a separate but integral part of another project - a project whose exclusion from this CIP diminishes the effectiveness of another project.
- Essential to the implementation of programs previously adopted by Council, such as the Comprehensive Plan and Downtown Plan.
- That address a particular risk to public safety or health.
- Deemed necessary in order to provide similar services to annexed areas.
- That furthers the City's goals of orderly growth as set forth in the City's Comprehensive Plan.
- That are totally self-supporting.
- That take advantage of opportunities which exist now but would not be available at a later date.
- That result in more economical, efficient, or effective delivery of City services. Such projects include those that may have multiple uses or take advantage of multi-jurisdictional participation

Relationship of the CIP to the Operating Budget:

The operating budget and the CIP are closely related. The CIP is a plan that matches the City's major capital needs with our financial ability to meet them. As a plan, it is subject to change. However, a sound and reliable CIP is a crucial element in maintaining the good financial health of the City.

The inclusion of a project in the CIP with either the General Fund or the Water and Sewer Fund as the funding source shows the intent to include that project in the Annual Budget in the appropriate year(s). Even so, because circumstances may change between the adoption of the CIP and the Annual Budget, CIP projects must be resubmitted as part of each department's annual budget request. Funds for such projects are not available unless and until they are included in the Annual Budget approved by the City Council.

In all likelihood, the completion of capital projects will impact the department's operating budget as projects are completed and require maintenance and upkeep. Also, some facilities may require additional utilities, such as electricity and water, above current consumption levels. That impact may not be readily evident when projects are funded and are constructed over several years. Consequently, the impacts of capital projects on the annual operating budget are estimated when available and noted in the CIP under each project. Most projects will not have an operating impact in the year they are funded.

Relationship of CIP to Implementation of Planning and Growth Management Policies:

It is essential that CIP project proposals support, rather than contradict, plans and policies previously adopted by the City Council in order to coordinate and direct the physical development of the City. In evaluating each CIP proposal, particular attention is given to conformity of proposals with the Comprehensive Plan, the City's broadest overall policy and planning tool for managing growth.

Financial Assumptions:

This year's CIP is based on a number of financial assumptions as described below:

- a. The CIP assumes the use of installment sales financing for a debt service payment of approximately one penny on the tax rate to fund a variety of projects including Parks, Public Protection, Downtown Revitalization and major repairs. **In order to fund these projects at this level, the City Council will need to raise the property tax rate by one cent or identify other funding sources.**
- b. Generally, the CIP assumes the dedication of investment income toward general capital projects. The City Council adopted a resolution as a part of the FY 1993-94 Budget that dedicated all investment income derived by the General and Capital Projects Funds to the Capital Projects Fund. We assume this investment income to grow at 1% through the CIP planning period. However for the last two years investment income has been needed to balance the General Fund base budget and has not been available for funding.
- c. For FY 2004 water and sewer projects, the City will use the water & sewer operating and construction funds for capital projects. The remaining future projects have been built into the proposed rate model increase.

Category Highlights:

Highlights of this year's CIP are outlined below by category:

- I. Culture and Recreation: Projects included in this category are related to enhancing the cultural and recreational opportunities for City residents. Open space and greenways projects, parks and playgrounds are included in this category.

The approved 1996 bond referendum for culture and recreation projects represents a significant portion of the funds expended in this category. The total funding from the 1996 Bond projects is \$25,875,000. Several 1996 Bond projects are being done in partnership with other agencies. Park and Playground renovations and improvements continue to be major priorities.

II. Downtown Development:

Projects in this category provide for the revitalization of Downtown Durham including street improvements, construction and renovation of parking decks, and renovations of the Durham Bulls Athletic Park.

Major Projects are divided into roadway improvements and parking deck enhancements. Roadway improvements include North Downtown Street improvements, which provides for streetscaping in the area north of Morgan Street. Chapel Hill/Main Street improvements includes the conversion to two-way traffic and street-scaping. Conversion of the Loop entails design and the initiation of acquisition to convert the loop to a two-way street. The Foster/Corcoran/Center City Plaza phase will be bid this summer with construction slated for the fall. The Woolworth demolition and American Tobacco Parking deck projects are proceeding.

III. General Services: Projects in this category are related to the construction, maintenance or expansion of many City buildings and facilities. Projects included in this CIP are a Deferred Maintenance Study, funding for ADA Compliance, City Hall and Durham Bulls Athletic Park elevator replacements and an emergency generator for Police Headquarters.

IV. Housing and Neighborhood Revitalization: This section includes all housing efforts and neighborhood redevelopment projects. The City's affordable housing program is the sole project in this category.

Voters approved \$15 million in bonds for affordable housing in 1990. By Fiscal Year 1998 all of those funds were spent on housing initiatives. The City currently has \$20 million approved by the voters through the 1996 bond referendum to continue affordable housing efforts.

V. Public Protection: Projects in this category will enhance the City's ability to protect lives and property through police and fire services, e.g., technology and strategically located and well-maintained facilities.

This CIP includes funding for a new fire station in the southwestern side of the City (Fire Station #16) in order to improve area coverage and reduce response times. Also included are funds for the Police Downtown sub station and Forensics complex located at Rigsbee and Broadway across from Durham Central Park. There is also funding for replacement and improvement to the Emergency Communications 800MHz system including the phasing in of radio replacement and tower upgrades.

VI. Transportation: Projects in this category provide for street, thoroughfare, sidewalk, and mass transit improvements.

Transportation projects are intended to construct new infrastructure or make significant improvements to the City's roadway and sidewalk network. The 1996 bond referendum package includes \$35,245,000 for street, thoroughfare, and sidewalk improvements. An additional \$5,165,000 is available for mass transit improvements. Construction of the Martin Luther King, Jr. Parkway, paving over dirt streets and the multi-modal center are three of the largest and most notable projects included in the 1996 Bonds. The largest portion of the Martin Luther King, Jr. Parkway project from Hope Valley Road to NC 55 has been completed. The remaining segment from Hope Valley Road to Chapel Hill Road will be bid for construction this year.

Other noteworthy projects are the upgrade to the City's traffic signal system and the City's sidewalk initiative. The traffic signal system, when complete will provide motorists and pedestrians with state-of-the-art traffic controls using the latest technology including video detection, fiber optic communication cable and video cameras. Approximately \$7 million is to be spent on new and replacement sidewalks, sidewalk repairs and handicapped sidewalk cuts through FY 2006.

This CIP also includes 425,000 to implement the first phase of improvements from the Traffic Calming Studies for the Club Blvd., Trinity Park, and Parkwood neighborhoods and includes funding to construct the backlog of speed humps citywide in an effort to address the concerns of many citizens. This initiative will help to slow speeding motorists, making many neighborhoods safer and more enjoyable.

In order to accommodate development in the area bounded by I-40, NC 751 and Fayetteville Road, the cost of widening of Fayetteville Road to multi-lanes between I-40 and Woodcroft Parkway will continue in this CIP. Of

the estimated \$6 million cost, half of the funds for this project will come from 1996 Bonds, and the other half will come from Zone 1 Street Impact Fees.

The Federal and State Match program continues to fund enhancements to NC DOT projects such as sidewalks on the Guess Road widening project, brick noise abatement walls, landscaped barriers and sidewalks on the streets crossing the I-85 widening.

- VII. Water: Projects in this category are related to the expansion, maintenance, or improvements to the City's water treatment and distribution system. Improvements made to the water treatment and distribution system are substantially funded by revenue bonds in the prior years. Additional funding for new projects will come from the Water and Sewer Construction Operating Fund in FY 2004. The remaining projects are built into the proposed rate model increase. New projects planned to start in FY 2004 include repairs to Little River and Lake Michie Dams, Ellis Road Tank Painting and continuing the 2" Water Main replacement project.
- VIII. Wastewater: Projects in this category are related to the expansion, maintenance, or improvement of the City's sanitary sewer collection and treatment system. Improvements made to the sewer collection and treatment system are substantially funded by revenue bonds. The only new project funded this year is a Pump Station removal project. The remaining projects are built into the proposed rate model increase.
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Revenue Sources:

The City of Durham uses many revenue sources in financing capital projects. The planned uses of these sources are reflected in the FY 2004 through FY 2009 Capital Improvements Program. The following outline describes the City's major revenue sources:

"Pay-As-You-Go":

This revenue source originates from investment income generated from the General and Capital Projects Funds, or from enterprise fund (e.g., the Water & Sewer Fund) appropriations made in the City's annual operating budget. Typically, these appropriations are transferred to the Capital Projects Fund for accounting purposes if the project period lasts over one fiscal year.

The inclusion of a project in the Capital Improvement Program with either investment income or an enterprise fund appropriation as the funding source shows the intent to include that project in the Annual Budget in the years indicated. However, these funds are not available unless and until they are included in the Annual Budget approved by the City Council.

General Obligation Bond:

The City may borrow money from lenders, pledging the full faith and credit of the City to pay the loan through property tax revenue. This method usually requires voter approval through a referendum and requires approval from the Local Government Commission.

The City's voters approved referenda in May 1986, November 1990, and November 1996 to finance capital projects with General Obligation Bonds. The City sells general obligation bonds once a year to pay for expenses associated with capital projects. Bond sales are expected to be held in January of each year. The City manages its general obligation debt through the use of bond anticipation notes to ensure that we do not incur debt service earlier than necessary and to avoid arbitrage problems.

Revenue Bond:

The City may borrow money from lenders, pledging the revenues from projects that will generate the revenue to pay the debt. Because of the nature of the security, revenue bonds do not require voter approval. Like general obligation bonds, the City sells revenue bonds once a year to pay for expenses associated with capital projects.

Installment Sales:

The City may enter into an installment sales ("Certificates of Participation") contract for a building or for equipment using that building or equipment to secure the financing, similar to a mortgage transaction. The City does not pledge the use of its taxing power to pay the contract. The Local Government Commission must approve the use of installment sales contracts.

Impact Fees:

Impact fees are one-time charges levied against new development based on the impact on City infrastructure as determined by the land use of the project. The impact fees will be used as a funding source for a proportionate cost of capital facilities and land made necessary by new construction. Impact fees cannot be used for routine or periodic maintenance, administration of the impact fee program, or improvements made to the existing infrastructure where the improvements are not related to new development.

The fees are collected in three zones for streets, parks and recreation facilities, and open space land: Zone 1 (Southwest Durham), Zone 2 (East Durham), and Zone 3 (North Durham). Impact fees will be used only to serve the zone where the fees were collected. The revenue must be spent within ten years; the expenditure of this revenue is programmed with the CIP cycle.

Intergovernmental Revenues:

This category of revenues identifies funding from Durham County, the State of North Carolina, and the Federal government. The funding sources include the State's revolving loan fund for wastewater treatment plants, State and Federal funding for transportation and transit-related improvements, and County funding for the Carolina Theatre or Civic Center.

Completed Projects:

Lyon Park Family Center has been opened and is used for many City and community functions.

The Sandy Creek Trail project Phase I is complete and scheduled to open June 7, 2003. This will provide 1.5 miles of trails and connect the proposed site of the education center to the Durham Academy Upper School and Cornwallis Road Park.

The School Lighting Project is complete which allows the Parks and Recreation Department to jointly use with the school system ball fields at night.

The Walltowns Children's Theatre has also been completed.

The renovations and improvements to the Public Service Natural Gas Co. Building have been substantially completed and the Parks and Recreation Department has occupied the upstairs portion of the building.

The Building Inventory system and the Cemetery Accounting System are complete.

The Williams Water Treatment Plant on Hillandale Road has been substantially completed and will receive an award from the Historic Preservation Society of Durham this year.

The Huckleberry Reservoir Rehabilitation Project and the Teer Quarry Water Storage Development Feasibility Study are also substantially complete.